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THE STATE BUDGET OF THE USSR

The main element in the Soviet State's financial system is the state budget.

It is from the state budget that the most important state expenditures are covered. Expenditures for maintenance of the Red Army and Navy and of the state administrative apparatus, as well as most social and cultural expenditures are made from budget resources. Budget resources are the most important source for financing expanded socialist reproduction. Thus, according to the last prewar state budget for the year 1941, 77.7 percent of the total volume of capital-works financing was to have been covered by budget appropriations. According to this plan, the budget was to supply 32.5 percent of the projected increment in the economy's working capital. As a result, the total volume of budget expenditures for the year 1941 was to have amounted to 216 billion rubles.

Such large expenditures naturally required the state to have correspondingly large sources of revenue. The budget gets the principal part of the monetary accumulations of economic organizations. According to the 1941 plan, the total volume of the economy's monetary accumulations, i.e., the sum of turnover taxes and profits, was to have been 169.3 billion rubles, of which about 92 percent was taken into the budget in the form of turnover taxes and deductions from profits.

Consequently, the state budget, before World War II, received more than nine tenths of the monetary accumulations of the socialized sector of the economy and was at the same time the main source of funds for socialist reproduction. It was also the source of funds for measures for carrying out cultural revolution, for defense, and for the administration of the country.

The budget's role in socialist reproduction makes it a genuine budget of the national economy.

The accumulations of the enterprises of the socialized sector of the economy are the main source of the state budget's revenues. In addition, the state budget mobilizes a part of the populations' income through personal taxes and loans.

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During the Second Five-Year Plan, the income side of the state budget was broken down as follows (in percent):

	1933	1934	1935	1936	1937	5-Yr Total
1. Total revenue	100	100	100	100	100	100
2. Percent of total revenue received from socialized sector of economy	80.1	84.0	88.4	92.1	94.0	88.8
3. Breakdown of (2) above						
a. Turnover tax	60.8	68.2	74.3	78.4	78.5	72.2
b. Deductions from profits	9.5	7.3	5.8	7.0	8.6	7.4
c. Taxes and other levies on populations	6.3	5.8	4.6	4.1	3.8	4.6
d. Government loans	7.2	6.1	5.2	4.0	4.1	5.0

Thus, during the Second Five-Year Plan, the revenues from the socialized sector of the economy constituted almost 90 percent of total budget revenues. The greatest portion of the revenues came from the turnover tax. Deductions from profits began to play a more important role beginning in 1935, when profitable operation of heavy industry was firmly underway. From this time, the importance of deductions from profits as a form of mobilizing the accumulations of state enterprises has been growing steadily.

During the years under review, mobilization of the resources of the population played a much smaller role in budget revenues.

On the expenditure side of the state budget of the USSR, the following expenditures were the largest (in percent):

	1933	1934	1935	1936	1937	5-Yr Total
Total expenditures	100	100	100	100	100	100
Financing the national economy	65.4	59.7	57.2	51.3	43.2	52.0
Social and cultural measures	15.4	16.0	13.8	24.5	23.7	21.0
Defense	3.8	9.6	12.0	18.2	17.5	11.6

More than half of the budget expenditures during the years of the Second Five-Year Plan were for the national economy. However, the proportion of these expenditures in the total decreased from year to year. This showed an increase in the profitability with which the economy was being operated, an increase which made possible the satisfaction of a large share of the economic financial requirements without recourse to the budget. On the other hand, the growing tension in the international situation required an increase in the expenditures on defense. Finally, the general growth of the financial might of the socialist state made it possible to spend more and more for the social and cultural needs of the population.

During World War II the state budget has played a still larger role, since the principal burden of financing the war has been borne by the budget. Military expenses are covered entirely by the budget, and the budget meets the greater part of the expense of wartime industrial conversion and of reconstruction of devastated regions. This has brought about a new increase in the budget, which reached 250 billion rubles in 1944.

It is natural that defense expenditures should constitute the major portion of the budget in wartime. In the plan of the state budget for 1944 approved by the Tenth Session of the Supreme Soviet USSR, defense expenditures amount to 128.4 billion rubles. Expenditures for financing the national economy are 44.7 billion rubles, of which 16 billion is for the reconstruction of the economy in regions liberated from the Germans.

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It is very characteristic of the financial policy of a socialist state that, in spite of World War II, expenditures for social-cultural needs are to be 51.4 billion rubles in 1944, exceeding the total expenditures on the national economy.

The revenue side of the 1944 budget, as formerly, is mainly dependent on the accumulations of the enterprises of the socialized sector of the economy. The payments in turnover taxes alone are to amount to 81.5 billion rubles and deductions from profits to 12.3 billion rubles.

Zverev, People's Commissar of Finance, in his speech on the budget, said, "The increase in the state's military expenses and the necessity of increasing appropriations for reconstruction and development of the national economy have made payments by the population more important." The revenue in government taxes from the population for 1944 is planned at 34.6 billion rubles and the revenue in government loans at 31.8 billion rubles.

The fact that the budget plays the main part in the financing of all parts of the socialist structure has its origin in the very nature of the Soviet state and the Soviet economic system. In his speech at the 18th Congress of the All-Union Communist Party, Comrade Stalin stressed the decisive importance of the economic, organizational, cultural and educational functions of the Soviet state in its second phase of development.

The Soviet state is the force which determines the country's economic development and is the owner of the basic means of production. Almost the whole social product is created in state enterprises; therefore, the state is the owner of the main portion of the country's monetary accumulations.

The sphere of economic activity is not foreign to the capitalist state and it is especially not foreign to the modern capitalist state. However, the state sector of the economy in any capitalist country is extremely small in comparison with the private sector. Government subsidies to individual branches of the economy and groups of capitalists attain large proportions, but on the whole they are far surpassed by the investment carried on, apart from the government, in the loan-capital market.

Under capitalism, therefore, in the main, the state stands in opposition to the economy, as an outside force. To a large degree the mobilization of the economy's resources for the needs of the state can be achieved only by extra-economic coercion. It is a different matter under the Soviet system. "In the epoch when the socialization of the means of production expropriated from the capitalists has been begun, the state authority is ceasing to be a parasitic apparatus standing above the production process. It is beginning to be transformed into an organization directly administering the country's economy, and the state budget is becoming the budget of the national economy as a whole." (Program and Regulations of the VKP (b)).

As the basic element in the financial system of the socialist state, the state budget in expanded socialist reproduction performs the important function of distributing the monetary resources, and therefore, the material resources of the country in accordance with the degree of development provided for by the state plan. This distribution simultaneously serves the purpose of controlling the efficient and economical utilization of the state's monetary resources and ensuring complete mobilization of internal resources in all sectors of the state economy and in a large portion of the cooperative economy as well.

These functions of distribution of financial resources and the allied

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functions of financial control are carried out by the socialist state both in the process of drawing up, and in the process of executing, the budget. These functions are carried out in one way for organizations operated on the principle of self-support and in another way for organizations operated on funds allocated from the budget. Operation on the principle of self-support assumes that the production expenses of enterprises will be met by current receipts from earnings; therefore, this part of the financial resources of enterprises does not affect budget figures.

Enterprises operated on the principle of self-support, as a rule, are connected with the budget by payments made into it from their monetary accumulations and by allocations from the budget for the purpose of expanded reproduction. In this regard, in the overwhelming majority of cases, economic organizations, on the one hand, contribute to budget receipts by paying turnover tax and deductions from profits, and on the other hand, make use of budget financing. The final balance of an enterprise account with the budget is determined by the production and financial figures of the enterprise and by the degree of expansion of production called for by the plan.

The relations of economic organizations with the state budget, in many cases, cannot be limited only to paying in surplus accumulation to the budget or to receiving subsidies from the budget.

Several reasons make closer financial relations of the economy with the state budget necessary:

1. The revenues of the state budget, must, in the main, be guaranteed independent of fulfillment of the plan for accumulation; therefore, a part of the receipts of economic organizations is collected directly by the execution of a turnover tax when products are sold.

The source of payment of turnover tax is, as a rule, the enterprise's accumulation. However, the size of turnover tax payments is not directly dependent either on the factual fulfillment of the plan for accumulation or on the requirements of the enterprise itself for additional investment.

2. The turnover tax, as we have already mentioned, is used by the government for the planned regulation of the degree of profitability with which branches of the economy and individual enterprises are operated. Therefore, the collection of accumulation through the turnover tax is carried out independent of the new investment requirements of enterprises.

3. The performance of work on individual new projects of national importance may not be made dependent on the branch's actual rate of accumulation. Such new projects are financed in their entirety by the state budget irrespective of the fact that there may be surplus accumulation in that branch of the economy. Such accumulation in this instance is taken into the budget.

4. Taking part of the profits of a branch of the economy into the budget and simultaneously financing the branch from the budget is sometimes done to create closer financial relations between the branch and the state budget and to provide closer financial control over the rate of accumulation and over investment in working capital and capital construction. This is made even more important by the fact that financial relations with the state budget are set up not according to individual enterprises, but by a branch as a whole or, more accurately, by a group of enterprises united under the main administration of some economic people's commissariat, for example, the Main Administration of Moscow Cotton Factories, the Main Administration of the Silk Industry, etc.

The increase in degree of profitability with which the economy is

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operated is resulting in a situation where an ever-increasing part of the economy's requirements for additional resources are being met out of the economic agency's own resources.

During World War II, when the budget has the very serious responsibility of financing the state military machine, it is particularly necessary to relieve it of the responsibility of financing that portion of the economy which can be financed by redistribution of resources within the economy. During World War II, the people's commissars' authority to distribute money and materials within branches of the economy was broadened; a large part of the financing of branches is done out of their own accumulations.

Nevertheless, even now the basic type of financial relations between the state budget and branches of the economy is a combination of collection by the budget of part of the branch's accumulation in combination with financing of that branch from the state budget.

When the financial relationships between the economy and the budget are set up, during the process of drawing up the draft of the budget plan, the financial organs subject the financial plans, such as the balance sheets of income and expenditures, of the branches of the economy to careful study. The purpose of this analysis is to try to find unutilized resources in every branch and in every enterprise to perform state tasks with the least expenditure of money and materials. Additional sources and bases for increasing production output and decreasing production cost, decreasing cost of capital works, speeding up the turnover of material so that less working capital will be required, etc., are found in the course of this study. All these figures are put into the plan of the state budget in the form of payments by the branch in turnover tax and deductions from profits and the amounts of financial assistance needed by the branch for the scale of current production and capital construction set by the plan. Corresponding adjustments are made in the production and financial plans of the branches of the national economy.

Thus, the drawing up of the budget is used by the government to check on branch plans, to try to find additional reserves of money and materials within the economy, and to increase production, the rate of goods turnover, and the size of accumulation within the economy.

Even closer is the relationship of the budget and organizations financed under the estimate system, such as social-cultural organizations, government administration agencies, and among economic organizations, machine-tractor stations. The incomes and expenditures of these organizations, which do not have their own accumulations, and, in the majority of cases, no monetary receipts either, go into their entirety into the income and expenditures of the state budget. Funds for these organizations come almost entirely from the budget, and the sums spent on individual types of expenses are rigidly limited by the estimate, which has a very complete breakdown. Fixing the amount of these organizations' expenditures in the state budget and approval of the organizations' estimates guarantees accurate, purposeful, and economical utilization of funds.

The state budget is not only closely integrated with the financial plans of the national economy and the estimates of organizations financed from the budget, but also with the plans of other elements in the financial system, savings banks and insurance units.

Savings banks' free funds, which have been formed as a result of the banks' permanent, nondiminishing, deposit balances, and the reserve funds of insurance units are transferred to the state budget through the purchase of government bonds. The size of these funds is determined by the financial plans of the savings banks and insurance units. During the Second Five-Year Plan, savings banks and state insurance units transferred free funds amounting to 100 billion

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6 billion rubles to the state budget.

Thus, the state budget plans the financial outcome of the activity of branches of the national economy, savings banks, and insurance institutions. In addition, it contains all appropriations for social and cultural organizations, the apparatus of governmental administration, and defense. The budget includes the tax payments of the population and the savings of the population which are invested in government bonds. This inclusion in the budget of all the country's more important financial transactions makes it the basic financial plan of the socialist state.

Under these conditions, the problem of correlating state budget receipts and expenditures is not merely a purely budgetary problem, but is a problem of balancing the income and expenditures of the socialist state as a whole.

A socialist state must have gold reserves (a reserve of world currency) and material reserves (stores of food products, fuel, metal, etc). The formation of gold and material reserves requires budget financing and is a state budget expense. The budget itself can possess reserves only in a purely monetary form.

Since the cash transactions called for by the state budget are performed by the State Bank, accumulation of budget reserve is shown by an increase in the balance of the budget's current account in the State Bank. The State Bank can use these balances for its own operations and increase credit investments in the economy to the total amount of these balances. In this case, economic organizations' real material stocks, for whose purchase credit was extended by the bank, are set off against the budget reserve, and the actual future use of this reserve for budget needs requires setting the bank credit free of these stocks.

However, it is possible that the funds accumulated in the bank by the budget will not be used for the extension of credit. In this case, the formation of a budget reserve must be accompanied by a corresponding withdrawal of money from circulation.

The state budget of the USSR is made up of the Union budget, the republic budgets, and the local budgets. Kray, oblast, okrug, rayon, city, settlement, and village budgets enter into the composition of local budgets.

Thus, every unit of Soviet authority has an independent budget. It is a necessary condition for the normal functioning of the soviets as units of state authority that they have their own budgets.

The Soviet Union is a free union of union republics, which are independent governmental units. It is obvious that each republic, possessing a large economy of its own, carrying out social and cultural measures on a large scale, and now possessing its own military units and the right to foreign relations, could not carry on these functions without its own financial structure.

The grant of budget rights to the Union republics is indissolubly linked with the whole nature of the multinational Soviet state.

The soviets of working people's deputies are the local units of soviet authority. The performance by soviets of working people's deputies of the governmental functions of administration, guidance of the local economy, and the carrying out of social and cultural measures is also unthinkable without granting them financial independence.

Thus, the structure of the budget system of the USSR parallels the structure of the Soviet state.

The creation of a system of local budgets, budget decentralization, is very important from the view point of correct organization of the machinery for the

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administration of finance.

The local soviets are responsible for mobilizing the financial resources needed by them. The expenditures of local budgets depend on their receipts; therefore, the collection of budget income interests not only the central soviet units, but also the whole system of local governmental units, beginning with the village and city soviets.

At the same time, entrusting the local soviet units with the financing of a whole series of enterprises and measures facilitates the task of correct distribution of budget appropriations and of control over their utilization.

It is obvious that it would be extremely difficult from a technical view point to finance an enormous number of public utilities, community-betterment enterprises, small industrial enterprises, and, especially, the wide-spread network of institutions for mass education and health, and such an arrangement would not provide for control over the efficient utilization of funds.

Consequently, the grant of budget rights to the local soviets is in complete accord with the task of achieving a more efficient and correct breakdown of the state budget and execution of the budget.

However, the existence of more than one budget is not contrary to the principle of unity in the Soviet budget system. This unity comes primarily from the common social character of, and the common problems facing, establishments of soviet authority.

At the same time, the unity of the budget system is strengthened by a whole series of organizational measures. We refer to the procedure of drawing up, studying, and approving budgets.

According to the Constitution of the USSR, the national government, in the person of its highest units of authority and governmental administration, has the duty of approving the unified state budget of the USSR and also the taxes of other income provided for in the Union, republic and local budgets.

Thus, it is within the competence of the Union government to determine the sources of income of the individual budgets.

The development of a socialist economy according to a single plan is predicated upon the concentration of all principal income receipts of the budget system in the hands of the all-Union government. Therefore, the main portion of tax income from state and cooperative enterprises and organizations and from the population goes into all-state (for the whole state) revenues. The receipts from state loans issued by the Union government alone go into common-government revenues.

Revenue from the economy directly under the local soviets is directly at their disposal. This revenue is in the form of deductions from profits of enterprises under local supervision and also in the form of local taxes and other assessments. The type of things on which local soviets can levy special taxes is established centrally and is comparatively small. The most important of them are city buildings and urban land.

The problem of the share of the population's income which is to be brought into the budget through taxes, must be centrally decided in accordance with the general provisions of the plan for the national economy. This makes limitation of local soviets' rights necessary.

With such a distribution of revenue among the various kinds of budgets, the local soviets are not in a position to meet all of their expenses through only

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those sources of revenue especially reserved for them.

The present method of distributing budget revenue among individual soviets does not presuppose that the budget of each soviet must of necessity be balanced through the income directly reserved to it. With such a limitation, the expenditures of local soviets would inevitably have to be limited to revenue collected on the territory of these soviets; such an arrangement would interfere with distribution of financial resources throughout the country according to plan. Therefore, the expenses of republic and local budgets are met not only by the sources of revenue reserved to the Union republics and local soviets--revenue from the republic and local economy, local taxes, and other assessments--but also through allocations from the all-state revenues at the disposal of the Union government. These allocations are made from almost all state taxes and other assessments on enterprises and organizations of the socialized sector of the economy and on the population, and from government loans. The size of these allocations is different for different Union republics depending upon their needs for all-state support. Every Union republic has the right to break these allocations down as it sees fit for reallocation to local budgets. This makes it possible to draw up the budgets of Union republics and of local soviets, taking into account the general aims and tasks of the national-economic plan and helps to achieve in these budgets the economic and cultural advance of the individual republics, oblasts, and rayons of the Soviet Union.

At the same time, in so far as the allocations are made from the sums collected on the territory of a certain Union republic, oblast, rayon, etc., an interest in a better collection of all-state revenue in its territory is aroused in the corresponding unit of soviet authority.

This method of forming the income of individual elements of the budget system means that the problem of matching up budget income and expenditures, the problem of balancing the budget in the planning stage, is decided from an economic view point not for each individual budget, but rather for the state budget of the USSR as a whole. If the expenditures planned are recognized as absolutely necessary and the income reserved for it is inadequate, each individual budget will receive a corresponding appropriation from the all-state revenues.

As we have already stated, the common social character of the central and local agencies of soviet authority rules out the possibility of any conflict of their interests. The division of functions between them has its origin in the common task of strengthening the socialist state and the fraternal alliance of the peoples composing the multinational Soviet Union.

This division of functions also determines the size of the budget expenditures of individual units of soviet authority. It is natural that each soviet should finance out of its own budget those enterprises and organizations which are directly subject to it and those measures for whose execution it is directly responsible. Consequently, the Union budget must finance enterprises and organizations under Union supervision, that is, directly under the Union government, while rayon budgets must finance enterprises and organizations under rayon supervision, that is, under the rayon soviet of working people's deputies, etc.

The most important industrial, transportation, and agricultural enterprises are presently under the Union government; the Union budget therefore takes care of financing them. Mass institutions of a social and cultural character (the network of education and health institutions) are supervised by local soviets; therefore, the financing of these installations is the responsibility of local budgets.

Changing the functions of the individual establishments in the system of units of soviet authority naturally causes changes in the structure and size of budget expenditures. Thus, until the 10th Session of the Supreme Soviet USSR all expenditures for financing the Red Army and all expenditures for maintenance of the

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apparatus of the People's Commissariat of Foreign Affairs were met by the Union budget. The formation of republic people's commissariats of defense and foreign affairs means that corresponding new expenditure items appear in the budgets of Union Republics.

According to the 1941 budget, we had the following distribution of expenditures among the separate types of budgets:

	<u>Million rubles</u>	<u>Percent</u>
Union	169,692	78.9
Republic	13,297	6.1
Local	33,063	15.0

The greater portion of the appropriations for the national economy (83.8 percent of all budget appropriations), all appropriations for the maintenance of the Red Army and Navy, and a large part of the appropriations for maintenance of the governmental administration apparatus, were made through the Union budget. A large part of the appropriations for social and cultural expenditures was concentrated in Union republic budgets (including local budgets) and 64.7 percent of the total sum expended by the Soviet state on education, health, and other social and cultural measures passed through these budgets.

Thus, the cited distribution of expenditures and income among the various types of budgets insures a close integration of these budgets. This, in turn, requires that the preparation, review, and analysis of the individual budgets not be done in isolation, but in connection with the general plan of the whole budget system.

The budget of the USSR is drawn up by the People's Commissariat of Finance USSR, the people's commissariats of finance of the Union republics and their local agencies, where the drafts of financial plans of branches of the economy and estimates of organizations and institutions are received. Each such financial plan and estimate is examined by the financial agency from the view point of finding additional ways to increase accumulations and cut down on expenditures. After this, the financial plan balances, and the estimates in their entirety, are included in the budget drafts. At the same time, these drafts show that revenue which does not have its direct origin in financial plans, for example, tax revenue from the population. A budget draft drawn up by a subordinate financial unit is examined by a higher financial unit. The latter draws up, in addition to its own budget, a combination of the lower local budgets. For example, the oblast financial section draws up, in addition to the oblast budget, a combination of rayon, city, and village budgets of the oblast.

As a result of such a movement of budget drafts from the bottom to the top through the whole chain of financial units, the People's Commissariat of Finance USSR receives budget drafts from the Union republics which include both the drafts of their own republic budgets and drafts of the combined local budgets. The People's Commissariat of Finance, on the basis of the drafts submitted to it by the people's commissariats of finance of the Union republics, after verification of the drafts, and the union budget draft which it (the People's Commissariat of Finance USSR) has drawn up independently, then draws up the all-inclusive draft of the state budget of the USSR. This draft is submitted by the People's Commissariat of Finance USSR to the Council of People's Commissars USSR for study. After examining the draft and inserting the necessary corrections, the Council of People's Commissars submits the draft in its own name to the Supreme Soviet USSR for its approval.

Such a procedure for drawing up the state budget of the USSR guarantees first, that the budget will take full account of local interest, and, second, that it will be planned in accordance with the common tasks of the financial

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policy of the USSR.

Approval of the budget by the Supreme Soviet USSR does not deprive the units of republic authority and the local soviets of the right of independent study and approval of their own budgets. The Supreme Soviet USSR approves only the most important items of the republic budgets, the adoption of which items makes for a unified Soviet budget system and unified execution of the tasks of the economic plan.

The session of the Supreme Soviet USSR approving the state budget of the USSR thus predetermines the general scope of the individual budgets. It also fixes the appropriations from the revenues of the Union budget to be put at the disposal of the individual budgets. The Eighth Session of the Supreme Soviet USSR, after examining the state budget for 1941, approved: (1) the total amount of the state budget of the USSR with regard to both receipts and expenditures; (2) the total amount of the Union budget with regard to both receipts and expenditures; (3) the total amounts of the Union republic budgets with regard to both receipts and expenditures with allocations to each of them of a sum for the republic budget and a sum for the combined local budgets; (4) the deductions from the republic budgets for the budgets of the ASSRs and local soviets; and (5) the deductions from all-Union government taxes and other income for republic and local budgets.

It is self-evident that approval of total budget figures and allocations from all-state revenues was preceded by a careful study of the composition of the receipts and expenditures of the Union budget and the republic budgets. This study was made in the Council of People's Commissars USSR, in the budget commissions of the Supreme Soviet, and, finally, in the plenums of both chambers of the Supreme Soviet. Such study secures the proper integration of national and local interests.

Besides the unity of the Soviet budget system, the second most important principle of its construction is its broad and genuinely democratic nature.

Above all, the Stalin Constitution guarantees each soviet of working people's deputies, right down to village and settlement soviets, its own separate budget. Each soviet is allotted independent budget rights. Thus, each soviet of working people's deputies has at its disposal the monetary resources it needs to perform the duties with which it is charged.

Budgets are approved in the following manner: the state budget of the USSR and the Union budget are approved by the Supreme Soviet USSR, republic budgets are approved by the supreme soviets of the Union republics, and the local budgets by the corresponding plenums of the soviets of working people's deputies. Thus, the approval of budgets is the function of the legislative units only. According to the Constitution, the Council of People's Commissars does not have the right to approve the budget; its duty is to enact the measures for carrying out the state budget which has already been approved by the Supreme Soviet. Attached to all soviets of working people's deputies there are budget commissions, whose duty is preliminary study of the budget. This means that hundreds of thousands of deputies, elected representatives of the people, are drawn into the study of budgets. The mass character of budget discussion is an important guarantee that the budget really reflects the interests of the Soviet state.

The rights of deputies in discussion of budget problems are in no way restricted. The debates on the budget which take place in sessions of the Supreme Soviet provide plenty of examples of budget initiative.

Such important principles of the democratic construction of the budget as unity and completeness are fully observed in making up the Soviet budget.

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The Soviet budget contains all the income and expenditures of organizations and institutions which are financially dependent upon the budget. Special funds which do not appear in the budget practically do not exist. The combined financial plans of branches of the national economy are considered in connection with the draft of the budget. Thus, in studying the draft of the budget, the deputies of the soviets have before them a complete picture of the state income and expenditures.

The third principle in drawing up the budget of the USSR is the execution of the Leninist-Stalinist nationalities policy. This is shown primarily in the concession of independent budget rights to all Union republics, autonomous republics and oblasts, and national rayons. Every nationality having its own units of soviet authority gets its own budget. Throughout all Soviet history, the budgets of the formerly backward nationalities have grown at a much faster rate than the state budget of the USSR as a whole. This growth of the financial base of the national republics and oblasts could have taken place only through the active support of the Soviet state as a whole.

Especially large shares of the deductions from all-state taxes and other assessments for local needs have been allocated to the various national budgets. Thus, in accordance with the budget law for 1941, while the budget of the RSFSR was allocated 50 percent of the income taxes collected from the population the budgets of the Azerbaydzhan, Georgian, Kirgiz, Karelo-Finnish, Armenian, Turkmen, Tadzhik, Kazakh, Moldavian, Lithuanian, Latvian, and Estonian SSR's received the whole 100 percent; the situation was similar with respect to the concentration in cities, for residential and community-betterment construction, of receipts in graduated taxes from collective farms and in agricultural taxes from collective farmers and individual farmers.

We have seen that the process of drawing up, studying, and approving budgets is indissolubly linked with critical verification of all financial plans and estimates appearing in the budget. Checking is required to a still greater extent in carrying out the budget.

Budget funds are paid out not merely to meet the financial deficits of enterprises and organizations, but also for definite types of expenditures earlier planned for in the budget. Thus, for example, budget allocations to industry are for specific purposes: capital investment, increase in working capital, and for meeting planned losses and operating expenses. Such planned channeling of budget funds guarantees the necessary integration of budget financing and the tasks of material plans.

The payment of budget funds is made after verification that previous allocations from the budget have been properly spent and that there is a real need for budget support. Under these conditions, the total allocations recorded in the budget are only a limit for budget payments. The payment may be less if the financial agency concludes that the funds are not necessary for the planned volume of work.

The process of executing the budget begins with the preparation and approval of quarterly plans for executing the Union budget. These plans are approved by the Council of People's Commissars USSR. Similar plans are approved by other units for their own budgets. The units which execute the budget are the people's commissariats of finance of the USSR, Union republics, and autonomous republics, and the financial sections of oblasts, krayes, rayons, city soviets, and village soviets. It is they who are charged with the duty of seeing that budget revenue comes in on time and that budget appropriations are paid out. However, the financial units are not limited to the simple payment of funds. They are directly interested in the correct use of funds and in strict conformity to budget provisions by the organizations being financed.

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Inasmuch as the number of organizations, enterprises, and institutions utilizing budget funds is very large, the financial units cannot establish direct ties with each of the enterprises being financed and check on the utilization of funds by each organization. Therefore, the financial apparatus enrolls the services of other people's commissariats and other government agencies in executing the budget. The People's Commissariat of Finance transfers to the other people's commissariats the sums due them from the budget for distribution among organizations under them. The people's commissariats and other government agencies bear the responsibility for using the budget funds for the proper purposes. Thus, the expenditure aspect of carrying out the budget is to a large extent transferred to the people's commissariats and other government agencies.

The procedure for budget allocations for capital construction is somewhat different. These funds are paid out to construction agencies through special banks which finance capital construction and check to see that funds are properly used. Thus, the implementation of this part of the budget is entrusted to a system of special agencies.

Appropriations from the budget to machine-tractor stations are handled through the State Bank, which also checks to see that they are properly used.

Thus, in addition to the units of the People's Commissariat of Finance, all the people's commissariats and other central government agencies, and also a network of credit institutions take part in the expenditure aspect of carrying out the budget.

The organization and checking which are necessary to see that budget revenue comes in on time is the responsibility of the People's Commissariat of Finance. For this job, it enlists the services of its local units, transferring to them the immediate work concerned with the calculation and collection of taxes.

Decentralizing the collection of taxes has also made it possible to entrust a large part of the work involved in tax calculation to the taxpayers themselves. State and cooperative enterprises and organizations calculate the taxes which they and their employees owe and the financial units are left only the responsibility of checking on the accuracy of these calculations. In their relations with the rural population, the financial units do all the work by themselves after creating an extensive network of rural tax agents.

The monetary transactions called for by the budgets are performed by the State Bank. This means that all budget receipts will end up in the State Bank in budget accounts. It is from these accounts that all budget expenditures are made. Each budget has a separate account in the State Bank.

Such an arrangement permits the People's Commissariat of Finance to carry out its operations without creating its own banking agencies, which makes for a considerable saving in expenditures for the maintenance of the financial apparatus. On the other hand, the State Bank, being the cashier of the budget, is given the opportunity to use, for credit operations, the funds in budget accounts which are not being used. Budget funds are an important source of State Bank resources. The State Bank may utilize both the current cash balances and the monetary budget reserves which have accumulated because of an excess of budget receipts over expenditures. Consequently, not only do the results of all the other financial plans show up in the state budget, but the balances resulting from implementation of the budget affect the credit plan of the State Bank. It may also be said that the state budget influences the amount of money in circulation through the credit plan.

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